

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 DODE-00 PM-05 H-01 L-03 PA-01 FAA-00

CAB-02 DOTE-00 /101 W

-----093998 301712Z /44

R 291231Z JUN 78

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 7950

INFO AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

C O N F I D E N T I A L FREETOWN 2074

EO 11652: GDS

TAGS: ECON, AID, EMIN, PDEV, EARL, SL

SUBJECT: NEW PRESIDENTIAL CONCERN ABOUT NATION'S ECONOMY

REFS: (A) FREETOWN A-26; (B) FREETOWN 1911

SUMMARY: RECENT PRESIDENTIAL PROCLAMATIONS AND ACTIONS REVEAL A GROWING CONCERN FOR THE NATION'S ECONOMIC CONDITION. LEGISLATION HAS BEEN ENACTED WHICH ESTABLISHES GREATER CONTROLS OVER COMMERCIAL BANKING, PRODUCES MORE REVENUE, AND MAY OPEN THE WAY FOR A DEVALUATION OF THE LEONE. AS GOSL IS NOW BARGAINING WITH THE IMF OVER THE TERMS OF A SECOND STAND-BY, IT MAY BE PREPARING TO CURB EXPENDITURES AND ENACT MEASURES DESIGNED TO BRING ABOUT INTERNAL AND EXTERNAL PAYMENTS BALANCE. ON THE OTHER HAND THE PRESIDENT MAY CONSIDER THE POLITICAL COST OF A NEW STAND-BY ARRANGEMENT EXCESSIVE. END SUMMARY.

1. THE FIRST PUBLIC INDICATION OF HIGH LEVEL POLITICAL CONCERN ABOUT THE DETERIORATING ECONOMY WAS CONTAINED IN PRESIDENT STEVENS' "SPEECH FROM THE THRONE," IN WHICH HE OUTLINED MEASURES FOR DAMPENING INFLATIONARY PRESSURE (REF A). SUBSEQUENTLY, CONFIDENTIAL

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PRESIDENT STEVENS MOVED TO CONTROL MINISTERIAL SPENDING BY MAKING ALL EXPENDITURES IN EXCESS OF THOSE BUDGED SUBJECT TO CABINET APPROVAL. HE HAS ALSO WARNED CIVIL SERVANTS ABOUT PROFITEERING AT GOVERNMENT EXPENSE.

2. PERHAPS THE MOST SIGNIFICANT MOVEMENT TOWARD FISCAL RESPONSIBILITY WAS THE DECISION NOT TO PROCEED WITH THE

ENERGOPROJEKT CONSTRUCTION PACKAGE FOR OAU CONFERENCE FACILITIES.  
(REF B). THIS MUST HAVE COST THE PRESIDENT DEARLY, AT LEAST  
IN PERSONAL TERMS, AS HE VERY MUCH DESIRED THIS PROJECT.  
NEVERTHELESS, SIERRA LEONE, AS THE OAU'S 1980 HOST, STILL  
PLANS MAJOR EXPENDITURES FOR A LUXURY HOTEL AND POSSIBLY A  
NEW INTERNATIONAL AIRPORT.

3. RECENTLY AMENDED LEGISLATION TIGHTENS GOVERNMENT CONTROL  
OVER COMMERCIAL BANKING. BANKS REGISTERED IN SEIRRA LEONE  
MUST NOW MAINTAIN A RESERVE FUND WITH THE BANK OF SIERRA  
LEONE. THE CENTRAL BANK HAS ALSO BEEN EMPOWERED TO REQUIRE  
THE SURRENDER OF GOLD AND FOREIGN CURRENCIES HELD BY ANY  
INDIVIDUAL OR BANK. THESE REFORMS SHOULD ENHANCE GOVERNMENT  
REVENUES BUT MAY PROVOKE A MORE CAUTIOUS OPERATING POLICY BY  
FOREIGN BANKS. IN ADDITION, THE WAY WAS OPENED FOR DEVALUATION  
BY PERMITTING THE CENTRAL BANK TO SET RATES AT WHICH IT WILL  
BUY AND SELL GOLD AND REPEALING THE LAW ESTABLISHING PARITY OF THE  
LEONE WITH A SPECIFIC AMOUNT OF GOLD.

4. THE IMF HAS CONSISTENTLY RECOMMENDED EXPENDITURE CONTROLS  
AND SUBSTANTIAL ADJUSTMENT OF BOTH EXTERNAL AND INTERNAL MONETARY  
POLICIES. AND IT IS POSSIBLE THAT PRESIDENT STEVENS IS WEIGHING  
THE POLITICAL COST AGAINST THE PROBABLE ECONOMIC BENEFITS.  
IF GOVERNMENT DOES DECIDE TO DEVALUE, IT WILL PROBABLY TAKE THE  
FORM OF A FLOAT, A PROCEDURE WHICH WOULD PERMIT THE LEONE TO FALL  
MORE GRADUALLY AND DIMINISH SOME OF THE NEGATIVE IMPACT OF AN  
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OUTRIGHT DEVALUATION, E.G., MAJOR CAPITAL FLIGHTS AND HOARDING.

5. WHILE THE PRESIDENT'S CONCERN ABOUT HIS NATION'S ECONOMIC  
HEALTH AND HIS INITIAL PRESCRIPTIONS ARE COMMENDABLE, HIS WILLINGNESS  
TO CURTAIL EXPENDITURES IS STILL VERY MUCH IN QUESTION. IT IS  
ON THIS POINT THAT THE GOSL-IMF NEGOTIATIONS FOR A SECOND STAND-BY  
MAY WELL HINGE.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Executive Order:** GS  
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**To:** STATE  
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